

CITY OF LIVERMORE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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**City of Livermore
Officials
(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Commor	Mayor	Jan 2016
Penny Porter	Council Member	Jan 2018
Robert Forth	Council Member	Jan 2018
Sandy Satern	Council Member	Jan 2018
Janice Schmieder	Council Member	Jan 2016
Aaron Crahan	Council Member	Jan 2016
Tyler Dodds*	City Clerk	Indefinite
Janet Berte**	City Clerk	Indefinite
Janet Berte***	City Treasurer	Indefinite
Seana Bolen****	City Treasurer	Indefinite
Greg Stoeb	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eldon Landolt	Mayor	Jan 2018
Penny Porter	Council Member	Jan 2018
Robert Forth	Council Member	Jan 2018
Sandy Satern	Council Member	Jan 2018
Janice Schmieder	Council Member	Jan 2020
Kelly Frock	Council Member	Jan 2020
Janet Berte	City Clerk	Indefinite
Seana Bolen	City Treasurer	Indefinite
Greg Stoeb	Attorney	Indefinite

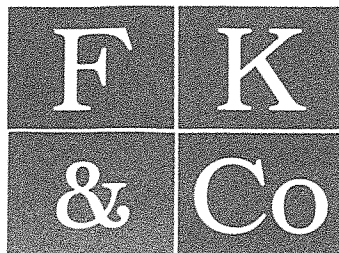
*-Resigned on May 21, 2015.

** -Appointed on June 15, 2015.

***-Resigned on June 15, 2015.

****-Appointed on July 15, 2015.

City of Livermore



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Livermore for the period April 1, 2015 through March 31, 2016. The City of Livermore's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Livermore, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Livermore and other parties to whom the City of Livermore may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Livermore during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Faller, Kincheloe & Co, PLC". The signature is written in a cursive, flowing style.

Faller, Kincheloe & Co, PLC

Des Moines, Iowa
August 8, 2016

Detailed Recommendations

CITY OF LIVERMORE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparation and distribution.
6. Utilities – billing, collecting, depositing and posting.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

- (C) Deposits and Investments – The City has not adopted an official investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

CITY OF LIVERMORE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (D) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and debt service functions prior to the May 2015 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The fiscal year 2015 budget amendment was not passed by resolution as required by Chapter 384.16 of the Code of Iowa.

The City’s long-term debts are not included on the long term debt schedule on the City’s budget, as required.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the City’s budget should be passed by resolution as required by Chapter 384.16 of the Code of Iowa. Also, the City’s long term debts should be included on the long term debt schedule on the City’s budget.

- (E) Separately Maintained Records – The Livermore Fire Department and the Livermore Public Library maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

CITY OF LIVERMORE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (F) Monthly Clerk's Report – The March 2016 monthly Clerk's Report indicated a balance of \$508,204; however, the reconciled bank balance was \$498,559, for a difference of \$9,645.

Recommendation – The City should establish procedures to ensure the ending balances on the monthly Clerk's Report match the reconciled bank balances at the end of each month.

- (G) Bank to Book Reconciliations – At June 30, 2015, the accounting software system indicated an ending general ledger cash balance of \$478,011. However, the Clerk's report indicated an ending reconciled bank balance of \$500,488 at June 30, 2015. This amounts to a difference of \$22,477.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

- (H) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires that within fifteen days of each meeting of the Council the clerk should publish the proceedings that include total disbursements from each fund. We noted that the City did not publish total disbursements from each fund for all of the meetings tested.

The City went into closed session on July 13, 2015. The vote of each member on the question of holding a closed session and the reason for holding a closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required.

Recommendation – The City should comply with the Code of Iowa and publish total disbursements from each fund within fifteen days of each meeting. In addition, the City should also comply with Chapter 21 of the Code of Iowa in relation to closed sessions.

- (I) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report showed receipts, disbursements, and beginning and ending fund balances which do not agree to the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree to the City's records.

CITY OF LIVERMORE

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (J) Payroll/1099-Misc. Forms – It appears the Iowa Workforce Development reports were understated by approximately \$6,000 for the period from April 1, 2015 to March 31, 2016.

An instance was noted where an Internal Revenue Service (IRS) Form 1099-Misc. was not issued as required.

Recommendation – The City should implement procedures to ensure the Iowa Workforce Development reports are accurately completed. Also, procedures should be established to ensure the City files IRS Forms 1099-Misc. when applicable.

- (K) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Aaron Crahan, City Council	Electrical Work, Repairs	\$3,654

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions may represent a conflict of interest since the amount paid totals more than \$2,500 and the services provided were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (L) Local Option Sales Tax (LOST) – The City was unable to provide the most recent LOST ballot. As a result, the City is unable to document compliance with the requirements as noted in the LOST ballot.

Recommendation – In the future, the City should retain a copy of the LOST ballot.

- (M) Disbursements – The City paid sales tax on an invoice. As a government entity, the City is exempt from paying State of Iowa sales tax.

Recommendation – The City should implement procedures to ensure State of Iowa sales tax is not paid on future purchases.